

## Message Text

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DRAFTED BY:XMB:CARPETS/ALBRIGHT

APPROVED BY:EB/IFD/ODF:RANDOLPH A SWART

EXIMBANK/JBIERMAN

EXIMBANK:DBEIM

EUR/EE:RICHARD A CHRISTENSEN

----- 013047

R 262139Z SEP 75

FM SECSTATE WASHDC

TO AMCONSUL ZAGREB

INFO AMEMBASSY BELGRADE

UNCLAS STATE 230353

E.O. 11652: N/A

TAGS: EGEN

SUBJECT:REPORT OF NONCOMPETITIVE EXIM FINANCING

REF: ZAGREB 0689

1. THE TRANSACTION DESCRIBED BETWEEN AMERICAN HOIST AND THE RIJEKA FIRM IS NOT REPEAT NOT AN EXIMBANK CREDIT. IT WAS AN OFFER OF FINANCING FROM NORTHWEST NATIONAL BANK, MINNEAPOLIS AT COMMERCIAL INTEREST RATES WITH WHICH THE REFERENCED BANK SHOULD BE QUITE FAMILIAR. THE U.S. EXPORTER DID BRING THE TRANSACTION TO EXIMBANK FOR INSURANCE COVERAGE UNDER THE FCIA INSURANCE PROGRAM.

2. EXIMBANK DOES NOT QUESTION COMMERCIAL INTEREST RATE ON MEDIUM TERM TRANSACTIONS WHICH IT GUARANTEES OR INSURES UNLESS IT APPEARS EXORBITANT, WHICH THIS DOES NOT. THE PURPOSE OF THE 3.2 PERCENT FEE IS NOT KNOWN, BUT IT MAY BE RELATED TO THE FACT THAT EXIMBANK INSURANCE GENERALLY DOES NOT PROVIDE FULL COVERAGE ON TRANSACTIONS; SOME PORTION OF SUPPLIER RISK IS EXPECTED. MOST BANKS IN THE U.S. AND EUROPE ARE CARRYING IN UNCLASSIFIED

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THEIR PORTFOLIOS A HIGH AMOUNT OF YUGOSLAV RISK. IN ALMOST ALL

CASES TODAY BANKS ARE CHARGING A SUBSTANTIAL "OUT FRONT" FEE ON ANY LOANS OR PORTION OF LOANS TO YUGOSLAVIA WHICH ARE UN-SECURED BY THEIR RESPECTIVE GOVERNMENT EXPORT FINANCE AGENCIES. WHILE THIS DOES NOT HELP THE YUGOSLAV SITUATION, THE BANKS ARE CONCERNED WITH INCREASING THEIR HIGH YUGOSLAV EXPOSURE AT A TIME OF DIFFICULTY IN THE YUGOSLAV BALANCE OF PAYMENTS.

3. REGARDING EXIMBANK'S COMPETITIVENESS VIS-A-VIS WESTERN EUROPEAN COUNTRIES WE ARE IN CLOSE TOUCH WITH OTHER BERNE UNION MEMBERS' PROGRAMS AND UNDERSTAND THAT A TRANSACTION OF THIS TYPE WOULD HAVE AN INTEREST RATE OF 7.5 PERCENT FROM COFACE PLUS FEES, (SOMETIMES OF 3/4 TO 1 PERCENT) AND 8.25 PERCENT UNDER A GERMAN BUYER CREDIT. EXIMBANK'S DOLS900 MILLION EXPOSURE IN YUGOSLAVIA AS COMPARED TO DOLS585 MILLION FOR GERMANY, DOLS550 FOR FRANCE, AND DOLS400 MILLION FOR THE U.K. WOULD INDICATE THAT THE YUGOSLAVS HAVE FOUND U.S. EQUIPMENT END FINANCIAL PACKAGES ATTRACTIVE. KISSINGER

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